

9m Results 2019

Opinion ⁽¹⁾: Above expectations.

Impact ⁽¹⁾: We have raised our estimates.

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ECR is an industrial group manufacturing chemical products that operates through 3 divisions: (i) basic chemicals, (ii) intermediate chemicals and (iii) pharmaceuticals. The core activity is the production of chlorine-caustic soda (>70% of EBITDA), ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level. Sales outside Spain represent 47% of total revenue.

A better than expected 3Q: We raise our 2019 estimates

Market Data

Market Cap (Mn EUR and USD)	253.7	280.9
EV (Mn EUR and USD) ⁽²⁾	387.2	428.8
Shares Outstanding (Mn)	104.9	
-12m (Max/Med/Mín EUR)	4.10 / 2.71 / 1.60	
Daily Avg volume (-12m Mn EUR)	0.84	
Rotation ⁽³⁾	84.56	
Thomson Reuters / Bloomberg	ECR.MC / ECR SM	
Close fiscal year	31-Dec	

GROWTH IN REVENUES (+2.5% VS. 9M18) despite the continuation of the cyclical downswing of the Chlor-Alkali sector (that began in 2H18). The growth in revenue is explained by the volume effect associated with the increase in production capacity of the Chlor-Alkali, PVC, polyols and pharmaceutical products plants, that offset the fall in sale prices of the main products (caustic soda and PVC).

Shareholders Structure (%)

Joan Casas Galofre	5.1
Dimensional Fund Advisors, L.P.	5.0
Víctor Manuel Rodríguez Martín	3.2
Montserrat Garcia Pruns	3.1
Free Float	80.6

WITH AN EBITDA MARGIN THAT REMAINS UNDER PRESSURE (8.7%; -3P.P. VS 9M18) and that puts 9m19 EBITDA at EUR 46.4Mn (-24.1% vs 9m18; including the new accounting treatment of operating leases both in 9m 2018 and in 9m 2019). However, the fall in price of the main procurements (EDC, electricity and methanol) in 3Q19 (EBITDA 3Q19 +11.7% vs 3Q18) has enabled a reduction in the decline in EBITDA seen in 1H19 (-35.7% vs 1H18): which leads us to revise our estimates.

AND AN INCREASE IN LEVERAGE (+10% VS 2018) mainly due to the continuation of the investment plan (we estimate c. EUR 40Mn in 2019) and an extraordinary cash outflow to pay for provisions to cover the disassembling and rehabilitation of land, which, together with shareholder remuneration (EUR 9.6Mn), has taken net debt to EUR 139.1Mn (<2.6x 2019e EBITDA; still above the self-imposed 2x limit for payment of a dividend).

Financials (Mn EUR)	2018	2019e	2020e	2021e
Adj. n° shares (Mn)	109.2	104.9	104.9	104.9
Total Revenues	677.1	704.8	731.8	739.9
Rec. EBITDA	64.9	51.7	63.4	67.1
% growth	-7.6	-20.4	22.6	5.8
% Rec. EBITDA/Rev.	9.6	7.3	8.7	9.1
% Inc. EBITDA sector ⁽⁴⁾	6.6	6.8	7.6	7.0
Net Profit	44.9	21.1	29.8	33.1
EPS (EUR)	0.41	0.20	0.28	0.32
% growth	3.7	-51.1	41.2	11.2
Ord. EPS (EUR)	0.32	0.20	0.28	0.32
% growth	-28.6	-37.3	41.2	11.2
Rec. Free Cash Flow ⁽⁵⁾	5.6	5.9	23.4	33.0
Pay-out (%)	14.4	0.0	18.0	18.0
DPS (EUR)	0.06	0.00	0.05	0.06
Net financial debt	126.5	151.7	130.4	115.3
ND/Rec. EBITDA (x)	1.9	2.9	2.1	1.7
ROE (%)	17.3	7.6	10.0	10.3
ROCE (%) ⁽⁶⁾	10.9	5.9	7.7	8.3

IN CONCLUSION: Better than expected results due mainly to a sharp fall in price of the main procurements in 3Q19 and which leads us to revise our estimates for the year as a whole (EBITDA 2019e: +9.6% vs previous estimate).

We maintain ECR's equity story intact, based on a moderate recovery of caustic soda prices from 2020e, which together with the earlier than expected fall in price of the main procurements and lower CAPEX requirements than in 2019e (EUR 25Mn in 2020e vs EUR 40.0Mn in 2019e; a driver unaffected by the cycle) will enable FCF levels to recover to EUR 23Mn in 2020e (Free Cash Flow yield 2020e: 9.2% vs 4% for the sector).

Ratios & Multiples (x)

P/E	5.9	12.0	8.5	7.7
Ord. P/E	7.5	12.0	8.5	7.7
P/BV	0.9	0.9	0.8	0.8
Dividend Yield (%)	2.4	0.0	2.1	2.3
EV/Sales	0.57	0.55	0.53	0.52
EV/Rec. EBITDA	6.0	7.5	6.1	5.8
FCF Yield (%) ⁽⁵⁾	2.2	2.3	9.2	13.0

Relative performance -5y (Base 100)



(* Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 3.

(3) Total volume traded in the share (Mn EUR) -12m vs Mkt Cap. Represents the % of the capitalisation traded -12m.

(4) Expected EBITDA growth (consensus) for the share's benchmark sector (Eurostoxx 600 Chemicals).

(5) Based on recurrent FCF. Please refer to Appendix 2.

(6) Calculated with a theoretical tax rate. Please refer to Appendix 2.

(7) vs Eurostoxx 600 Chemicals.

Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	28.5	35.9	-40.3	-22.4	19.3	425.7
vs Ibex 35	22.5	26.8	-42.8	-29.5	11.5	474.2
vs Ibex Small Cap Index	23.1	28.7	-40.8	-29.5	-19.1	255.0
vs Eurostoxx 50	20.5	22.4	-47.8	-36.6	-4.1	342.0
vs Sector benchmark ⁽⁷⁾	19.2	22.4	-47.9	-37.7	-7.0	298.1

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9m19 Results and review of estimates

In the light of these results we upgrade our estimates (2019e EBITDA: +9.6% vs previous estimate).

9m19 results show a fall in EBITDA of 24.1% (vs 9m18), 5.9p.p. smaller than initially expected for the year as a whole (c. 30%) due mainly to a significant decline in the price of the main supplies and procurements (EDC, electricity and methanol), which “boosted” ECR’s EBITDA margin to 8.7% (7.7% excluding the impact of the new accounting treatment of operating leases vs our previous estimate of 6.6%).

9m19 Results

	9m19 Real	9m19 Real 9m18	9m19 Real vs 9m18	2019e	2019e vs 2018	3T19	3T19 vs 3T18
Total Revenues	532.2	519.2	2.5%	704.8	4.1%	168.1	1.2%
Chlorine derivatives	311.8	306.7	1.7%	n.a.	n.a.	97.8	0.4%
Intermediate chemical	148.5	144.7	2.6%	n.a.	n.a.	46.3	-1.7%
Pharmaceuticals	43.4	39.5	9.9%	n.a.	n.a.	14.2	20.4%
Other revenues	28.6	28.3	0.9%	n.a.	n.a.	9.9	0.7%
Recurrent EBITDA*	49.2	66.9	-26.4%	51.7	-20.4%	17.3	10.8%
<i>Rec. EBITDA/Revenues</i>	<i>9.2%</i>	<i>12.9%</i>	<i>-4 p.p.</i>	<i>7.3%</i>	<i>2 p.p.</i>	<i>10.3%</i>	<i>-4 p.p.</i>
EBITDA*	46.5	61.2	-24.1%	51.7	-23.9%	16.7	11.7%
<i>EBITDA/Revenues</i>	<i>8.7%</i>	<i>11.8%</i>	<i>-3 p.p.</i>	<i>7.3%</i>	<i>1 p.p.</i>	<i>10.0%</i>	<i>-3 p.p.</i>
EBIT*	26.8	41.7	-35.8%	32.2	-26.6%	10.1	21%
NP	17.3	35.8	-51.7%	21.1	-53.0%	6.8	-12%
Ordinary NP	17.3	35.8	-51.7%	21.1	-39.8%	4.6	76%
Rec. FCF	n.a.	n.a.	n.a.	5.9	4.7%		
<i>Rec. FCF Yield</i>	n.a.	n.a.	n.a.	2.3%	0 p.p.		
Net Debt	139.2	101.3	37%	151.7	19.9%		
ND / EBITDA	n.a.	n.a.	n.a.	2.9 x	1.1 x		

(*) EBITDA reported by the company includes the new accounting treatment of operating leases (IFRS 16) with a positive impact of c. EUR 5.7Mn (9m19) and c. EUR 6.1Mn (9m18); not included in our 2019 estimates (12m). Including the impact of IFRS 16 in our estimates, 2019e EBITDA would be c. EUR 59Mn.

Accordingly, we upgrade our 2019 estimates

The normalisation of the price of the main supplies and procurements (EDC, electricity and methanol), together with a slower than expected recovery of caustic soda prices, causes us to adjust our projections:

- **Revenue (EUR 704.8Mn; -1.3% vs previous estimate)**, mainly due to a slower than expected recovery of caustic soda prices.
- **Recurrent EBITDA (EUR 51.7Mn; +9.6% vs previous estimate)**, explained mainly by a reduction in the cost of the main supplies and procurements, boosting the EBITDA margin 1p.p. to 7.3% (vs 6.6% previously). Taking into account the impact of IFRS 16, 2019e recurrent EBITDA would be c. EUR 59Mn (EBITDA margin 8.3% vs 8.7% reported at 9m19).
- **Net profit (+20% vs previous estimate)**. The above points fully impact 2019e net profit, which we expect to be around EUR 21.1Mn (-39.7% vs 2018). Given the company’s operating leverage, any variation in the business situation (caustic soda, ethylene, methanol and ECD) fully impacts NP.

Table 1. Review of estimates (2019e – 2021e) – Estimates not adjusted by IFRS 16 impact

EUR Mn	2019e (New)	2019e	Review (%)	2020e (New)	2020e	Review (%)	2021e (New)	2021e	Review (%)
Total Revenues	704.8	714.2	-1.3%	731.8	743.0	-1.5%	739.9	751.6	-1.6%
Recurrent EBITDA	51.7	47.2	9.6%	63.4	63.2	0.3%	67.1	68.6	-2.2%
<i>Recurrent EBITDA growth</i>	<i>-20.4%</i>	<i>-27.3%</i>	<i>7 p.p.</i>	<i>22.6%</i>	<i>33.9%</i>	<i>-11 p.p.</i>	<i>5.8%</i>	<i>8.5%</i>	<i>-3 p.p.</i>
<i>Rec. EBITDA/Revenues</i>	<i>7.3%</i>	<i>6.6%</i>	<i>1 p.p.</i>	<i>8.7%</i>	<i>8.5%</i>	<i>0 p.p.</i>	<i>9.1%</i>	<i>9.1%</i>	<i>0 p.p.</i>
Net Profit	21.1	17.5	20.4%	29.8	29.6	0.7%	33.1	34.2	-3.3%
Recurrent Free Cash Flow	5.9	0.8	n.a.	23.4	23.2	0.7%	33.0	34.0	-2.8%
ND / EBITDA	2.9 x	3.3 x	-0.4 x	2.1 x	2.1 x	-0.1 x	1.7 x	1.7 x	0.0 x

Valuation inputs

Inputs for the DCF Valuation Approach

	2019e	2020e	2021e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	(8.9)	26.6	35.7	590		
Market Cap	253.7	At the date of this report				
Net financial debt	139.2	Debt net of Cash (9m Results)				
					Best Case	Worst Case
Cost of Debt	4.0%	Net debt cost			3.0%	4.5%
Effective tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.2%	Kd = Cost of Net Debt * (1-T)			2.4%	3.6%
Risk free rate (rf)	0.3%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	7.0%	R (own estimate)			5.5%	6.5%
Beta (B)	1.4	B (Thomson Reuters)			1.4	1.5
Cost of Equity	9.8%	Ke = Rf + (R * B)			8.0%	10.1%
Equity / (Equity + Net Debt)	64.6%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	35.4%	D			=	=
WACC	7.5%	WACC = Kd * D + Ke * E			6.0%	7.8%
G "Razonable"	1.0%				1.5%	0.5%

(1) Terminal value calculated on the recurrent Free Cash Flow "to the Firm" of the last estimated year using the normalised tax rate (T) indicated in the upper table.

Inputs for the Multiples Valuation Approach

Company	Ticker	Reuters	Mkt. Cap	P/E 19e	EPS 19e-21e	EV/EBITDA 19e	EBITDA 19e-21e	EV/Sales 19e	Revenues 19e-21e	EBITDA/Sales 19e	FCF Yield 19e	FCF 19e-21e
BASF SE	BASFn.DE		65,545.9	18.3	13.4%	9.8	8.7%	1.3	2.9%	13.7%	5.4%	-4.6%
Solvay	SOLB.BR		11,036.3	12.2	5.0%	6.7	4.2%	1.4	2.9%	21.5%	5.7%	10.4%
Covestro AG	1COV.DE		8,467.4	14.9	12.5%	6.1	6.7%	0.8	2.3%	12.7%	5.0%	-10.7%
Akzo Nobel AS	AKZO.AS		19,346.7	27.1	20.5%	15.0	9.7%	2.1	2.5%	14.2%	1.9%	51.3%
Europe				18.1	12.8%	9.4	7.3%	1.4	2.7%	15.5%	4.5%	n.a.
DowDuPont	DWDP.K		48,419.6	19.0	10.9%	12.3	5.2%	3.2	3.2%	26.2%	2.7%	54.9%
Olin Corp	OLN		2,779.9	24.3	45.9%	6.3	8.6%	1.0	4.3%	15.9%	9.4%	33.5%
Westlake	WLK		8,650.1	20.6	19.5%	8.4	7.9%	1.5	3.9%	17.6%	4.6%	15.4%
USA				21.3	25.4%	9.0	7.3%	1.9	3.8%	19.9%	0.1	n.a.
ECR	ECR.MC		253.7	12.0	25.3%	7.49	13.9%	0.55	2.5%	7.3%	-14.1%	n.a.

Free Cash Flow sensitivity analysis (2020e)

A) EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 20e	EBITDA 20e	EV/EBITDA 20e
Max	9.7%	70.7	5.5x
Central	8.7%	63.4	6.1x
Min	7.7%	56.1	6.9x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

Rec. FCF EUR Mn	CAPEX/Sales 20e				Scenario			FCF/Yield 20e		
EBITDA 20e	2.4%	3.4%	4.4%		Max	15.0%	12.1%	9.2%	9.2%	6.3%
70.7	38.0	30.7	23.4	➔	Central	12.1%	9.2%	6.3%	6.3%	3.5%
63.4	30.7	23.4	16.1		Min	9.2%	6.3%	3.5%	3.5%	
56.1	23.4	16.1	8.8							

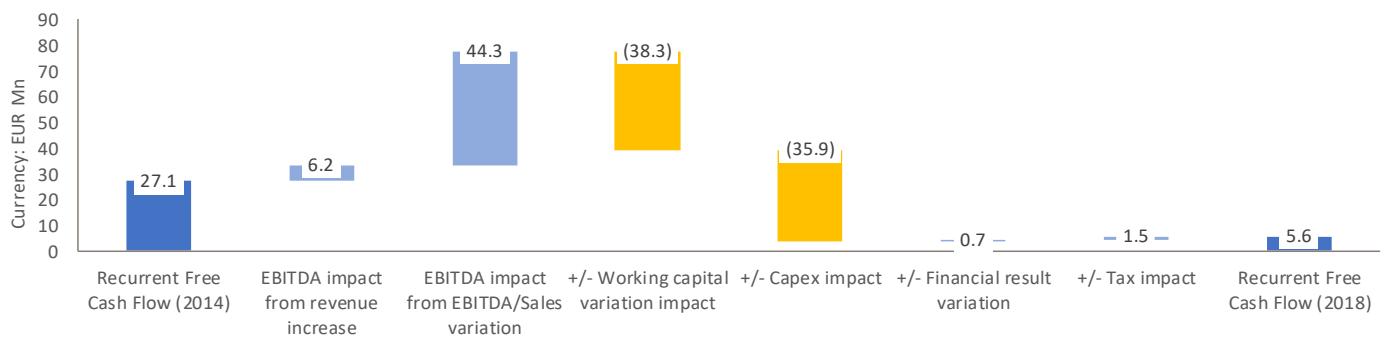
Appendix 1. Financial Projections (not adjusted by IFRS16 impact)

Balance Sheet (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e		
Intangible assets	5.6	6.5	5.9	4.1	4.2	4.2	4.2	4.2		
Fixed assets	245.7	235.3	249.2	269.4	300.5	321.2	325.7	325.3		
Other Non Current Assets	0.9	2.5	7.0	25.9	31.7	31.7	31.7	31.7		
Financial Investments	40.4	40.4	38.7	44.9	45.2	45.7	46.3	46.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	208.3	205.3	184.6	218.3	218.9	232.5	239.3	240.9		
Total assets	500.8	490.1	485.4	562.6	600.5	635.3	647.2	648.9		
Equity	168.2	175.9	219.8	247.5	272.3	282.3	312.1	329.2		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	62.8	66.2	71.0	84.1	76.5	56.5	54.4	52.3		
Net financial debt	128.8	119.5	73.4	89.3	126.5	151.7	130.4	115.3		
Current Liabilities	141.1	128.5	121.2	141.7	125.2	144.8	150.3	152.0		
Equity & Total Liabilities	500.8	490.1	485.4	562.6	600.5	635.3	647.2	648.9		
									CAGR	
P&L (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Total Revenues	607.3	624.5	606.9	689.3	677.1	704.8	731.8	739.9	2.8%	3.0%
<i>Total Revenues growth</i>	-4.2%	2.8%	-2.8%	13.6%	-1.8%	4.1%	3.8%	1.1%		
COGS	(444.4)	(438.5)	(393.8)	(467.9)	(466.9)	(503.4)	(515.2)	(516.5)		
Gross Margin	162.9	186.0	213.1	221.3	210.3	201.4	216.7	223.5	6.6%	2.0%
<i>Gross Margin/Revenues</i>	26.8%	29.8%	35.1%	32.1%	31.1%	28.6%	29.6%	30.2%		
Personnel Expenses	(78.8)	(79.9)	(81.8)	(83.4)	(79.9)	(82.3)	(84.7)	(87.3)		
Other Operating Expenses	(69.7)	(73.7)	(72.8)	(67.7)	(65.5)	(67.4)	(68.5)	(69.1)		
Recurrent EBITDA	14.4	32.5	58.4	70.3	64.9	51.7	63.4	67.1	45.7%	1.1%
<i>Recurrent EBITDA growth</i>	-49.2%	125.5%	79.6%	20.3%	-7.6%	-20.4%	22.6%	5.8%		
<i>Rec. EBITDA/Revenues</i>	2.4%	5.2%	9.6%	10.2%	9.6%	7.3%	8.7%	9.1%		
Restructuring Expenses	-	-	-	(21.7)	-	-	-	-		
Other non-recurrent Income / Costs	-	-	-	-	3.0	-	-	-		
EBITDA	14.4	32.5	58.4	48.5	67.9	51.7	63.4	67.1	47.3%	-0.4%
<i>EBITDA growth</i>	-49.2%	125.5%	79.6%	-16.9%	40.0%	-23.9%	22.6%	5.8%		
<i>EBITDA/Sales</i>	2.4%	5.2%	9.6%	7.0%	10.0%	7.3%	8.7%	9.1%		
Depreciation & Provisions	(19.5)	(19.9)	(7.4)	(14.2)	(24.2)	(19.5)	(20.3)	(20.4)		
Capitalized Expense	0.0	0.1	0.0	-	0.2	-	-	-		
EBIT	(5.0)	12.7	51.0	34.3	43.9	32.2	43.1	46.6	<i>n.a.</i>	2.1%
<i>EBIT growth</i>	-154.8%	354.5%	300.4%	-32.8%	27.8%	-26.6%	33.9%	8.2%		
<i>EBIT/Revenues</i>	<i>n.a.</i>	2.0%	8.4%	5.0%	6.5%	4.6%	5.9%	6.3%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(7.7)	(6.2)	(6.3)	(6.4)	(7.0)	(6.4)	(6.5)	(5.8)		
Income by the Equity Method	0.2	0.2	0.6	0.7	1.1	0.6	0.6	0.6		
Ordinary Profit	(12.5)	6.7	45.3	28.7	38.0	26.3	37.2	41.4	<i>n.a.</i>	2.9%
<i>Ordinary Profit Growth</i>	<i>n.a.</i>	154.0%	571.4%	-36.7%	32.5%	-30.7%	41.2%	11.2%		
Extraordinary Results	-	-	-	(0.1)	-	-	-	-		
Profit Before Tax	(12.5)	6.7	45.3	28.6	38.0	26.3	37.2	41.4	<i>n.a.</i>	2.9%
Tax Expense	5.4	0.5	(0.2)	15.9	6.9	(5.3)	(7.4)	(8.3)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	0.3%	<i>n.a.</i>	<i>n.a.</i>	20.0%	20.0%	20.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	0.8	-	-	-	-	-	-	-		
Net Profit	(6.3)	7.2	45.2	44.5	44.9	21.1	29.8	33.1	<i>n.a.</i>	-9.7%
<i>Net Profit growth</i>	-67.7%	215.1%	523.8%	-1.5%	0.9%	-53.0%	41.2%	11.2%		
Ordinary Net Profit	(12.5)	6.7	45.2	50.4	35.0	21.1	29.8	33.1	<i>n.a.</i>	-1.9%
<i>Ordinary Net Profit growth</i>	<i>n.a.</i>	154.0%	569.1%	11.6%	-30.6%	-39.8%	41.2%	11.2%		
									CAGR	
Cash Flow (EUR Mn)	2014	2015	2016	2017	2018	2019e	2020e	2021e	14-18	18-21e
Recurrent EBITDA						51.7	63.4	67.1	45.7%	1.1%
Working Capital Increase						6.0	(1.2)	0.0		
Recurrent Operating Cash Flow						57.7	62.2	67.1	7.7%	12.0%
CAPEX						(40.2)	(24.9)	(20.0)		
Net Financial Result affecting the Cash Flow						(6.4)	(6.5)	(5.8)		
Tax Expense						(5.3)	(7.4)	(8.3)		
Recurrent Free Cash Flow						5.9	23.4	33.0	-32.6%	80.7%
Restructuring Expense & Others						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						(20.0)	(2.1)	(2.1)		
Free Cash Flow						(14.1)	21.3	31.0	-32.6%	76.8%
Capital Increase						(4.5)	-	(10.6)		
Dividends						(6.5)	-	(5.4)		
Net Debt Variation						20.6	(21.3)	(25.6)		

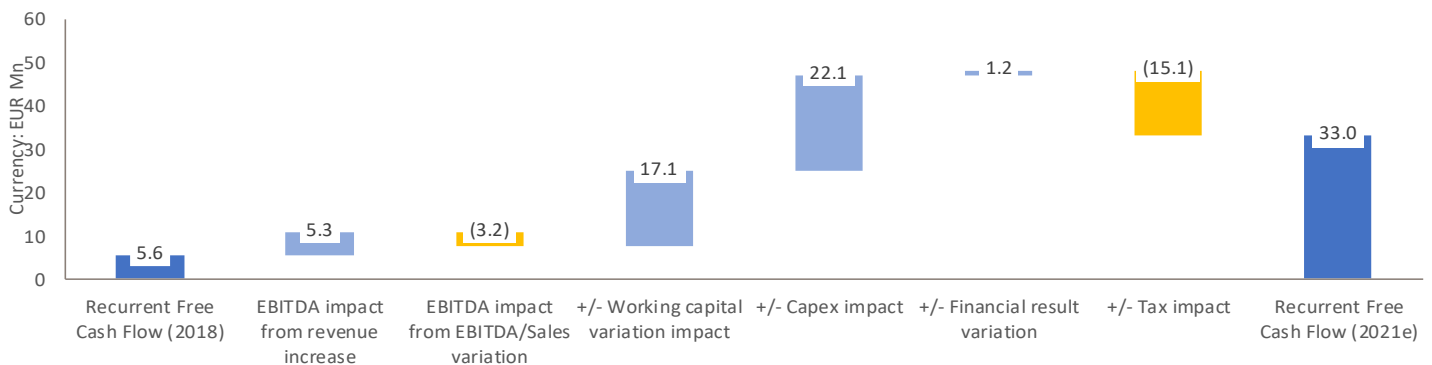
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
								15-18	18-21e
Recurrent EBITDA	32.5	58.4	70.3	64.9	51.7	63.4	67.1	25.9%	1.1%
<i>Recurrent EBITDA growth</i>	125.5%	79.6%	20.3%	-7.6%	-20.4%	22.6%	5.8%		
<i>Rec. EBITDA/Revenues</i>	5.2%	9.6%	10.2%	9.6%	7.3%	8.7%	9.1%		
+/- Working Capital increase	(9.7)	13.5	(13.2)	(17.1)	6.0	(1.2)	0.0		
= Recurrent Operating Cash Flow	22.8	71.8	57.1	47.8	57.7	62.2	67.1	27.9%	12.0%
<i>Rec. Operating Cash Flow growth</i>	-35.8%	214.5%	-20.5%	-16.2%	20.6%	7.8%	7.9%		
<i>Rec. Operating Cash Flow / Sales</i>	3.7%	11.8%	8.3%	7.1%	8.2%	8.5%	9.1%		
- CAPEX	(9.2)	(18.7)	(42.8)	(42.1)	(40.2)	(24.9)	(20.0)		
- Net Financial Result affecting Cash Flow	(6.2)	(6.3)	(6.4)	(7.0)	(6.4)	(6.5)	(5.8)		
- Taxes	0.5	(0.2)	15.9	6.9	(5.3)	(7.4)	(8.3)		
= Recurrent Free Cash Flow	7.9	46.7	23.8	5.6	5.9	23.4	33.0	-11.0%	80.7%
<i>Rec. Free Cash Flow growth</i>	-70.6%	487.4%	-49.1%	-76.4%	4.7%	298.9%	41.2%		
<i>Rec. Free Cash Flow / Revenues</i>	1.3%	7.7%	3.4%	0.8%	0.8%	3.2%	4.5%		
- Restructuring expenses & others	-	-	(21.7)	-	-	-	-		
- Acquisitions / + Divestments	4.0	0.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.1)	-	(20.0)	(2.1)	(2.1)		
= Free Cash Flow	11.9	47.3	1.9	5.6	(14.1)	21.3	31.0	-22.2%	76.8%
<i>Free Cash Flow growth</i>	-56.1%	297.4%	-95.9%	187.4%	n.a.	n.a.	45.3%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	3.1%	18.4%	9.4%	2.2%	2.3%	9.2%	13.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	4.7%	18.6%	0.8%	2.2%	n.a.	8.4%	12.2%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e		
Recurrent FCF(FY - 1)	27.1	7.9	46.7	23.8	5.6	5.9	23.4		
EBITDA impact from revenue increase	0.4	(0.9)	7.9	(1.2)	2.7	2.0	0.7		
EBITDA impact from EBITDA/Sales variation	17.7	26.8	3.9	(4.1)	(15.9)	9.7	3.0		
= Recurrent EBITDA variation	18.1	25.9	11.9	(5.3)	(13.2)	11.7	3.7		
+/- Working capital variation impact	(30.9)	23.1	(26.6)	(3.9)	23.1	(7.2)	1.3		
= Recurrent Operating Cash Flow variation	(12.8)	49.0	(14.7)	(9.3)	9.9	4.5	4.9		
+/- CAPEX impact	(3.0)	(9.6)	(24.1)	0.7	1.9	15.3	4.9		
+/- Financial result variation	1.5	(0.0)	(0.1)	(0.6)	0.6	(0.1)	0.6		
+/- Tax impact	(4.9)	(0.6)	16.1	(9.0)	(12.1)	(2.2)	(0.8)		
= Recurrent Free Cash Flow variation	(19.1)	38.7	(22.9)	(18.2)	0.3	17.5	9.6		
Recurrent Free Cash Flow	7.9	46.7	23.8	5.6	5.9	23.4	33.0		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
	2015	2016	2017	2018	2019e	2020e	2021e	CAGR	
EBIT	12.7	51.0	34.3	43.9	32.2	43.1	46.6	51.0%	2.1%
* Tax rate	0.0%	0.3%	0.0%	0.0%	20.0%	20.0%	20.0%		
= Taxes (pre- Net Financial Result)	-	(0.2)	-	-	(6.4)	(8.6)	(9.3)		
Recurrent EBITDA	32.5	58.4	70.3	64.9	51.7	63.4	67.1	25.9%	1.1%
+/- Working Capital increase	(9.7)	13.5	(13.2)	(17.1)	6.0	(1.2)	0.0		
= Recurrent Operating Cash Flow	22.8	71.8	57.1	47.8	57.7	62.2	67.1	27.9%	12.0%
- CAPEX	(9.2)	(18.7)	(42.8)	(42.1)	(40.2)	(24.9)	(20.0)		
- Taxes (pre- Financial Result)	-	(0.2)	-	-	(6.4)	(8.6)	(9.3)		
= Recurrent Free Cash Flow (To the Firm)	13.7	53.0	14.3	5.7	11.1	28.7	37.8	-25.2%	87.7%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-53.4%	286.8%	-73.1%	-59.9%	93.8%	158.6%	31.9%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	2.2%	8.7%	2.1%	0.8%	1.6%	3.9%	5.1%		
- Acquisitions / + Divestments	4.0	0.6	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	-	-	(0.1)	-	(20.0)	(2.1)	(2.1)		
= Free Cash Flow "To the Firm"	17.6	53.6	14.2	5.7	(8.9)	26.6	35.7	-31.3%	84.2%
<i>Free Cash Flow (To the Firm) growth</i>	-40.0%	203.6%	-73.5%	-59.6%	n.a.	n.a.	34.4%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	3.5%	13.7%	3.7%	1.5%	2.9%	7.4%	9.8%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	4.6%	13.8%	3.7%	1.5%	n.a.	6.9%	9.2%		

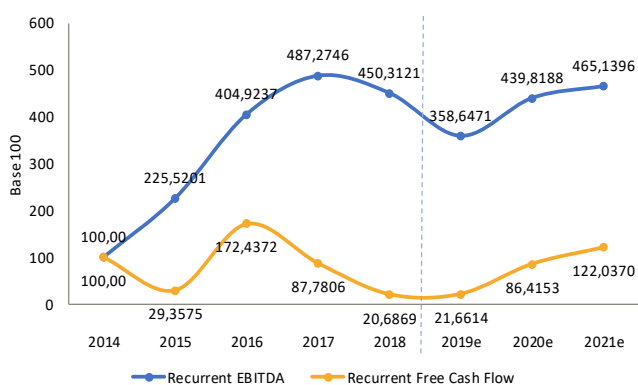
Recurrent Free Cash Flow accumulated variation analysis (2014 - 2018)



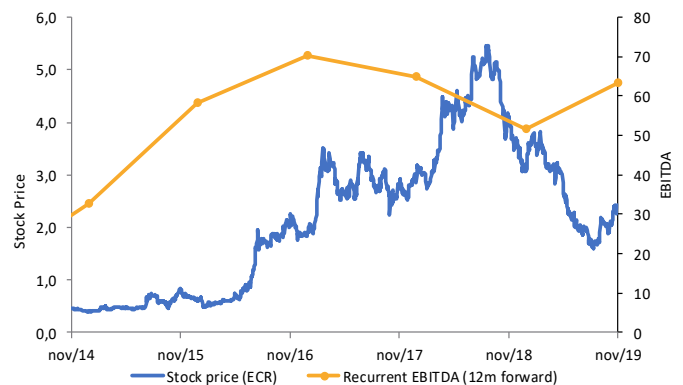
Recurrent Free Cash Flow accumulated variation analysis (2018 - 2021e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Fuente
Market Cap	253.7	
+ Minority Interests	-	9m Results
+ Provisions & Other L/T Liabilities	39.0	9m Results
+ Net financial debt	139.2	9m Results
- Financial Investments	44.6	6m Results
+/- Others		
Enterprise Value (EV)	387.2	

Appendix 4. Historical performance ⁽¹⁾

Historical performance (EUR Mn)														CAGR		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e	08-18	18-21e
Total Revenues	855.1	606.3	609.3	686.0	639.5	625.0	607.3	624.5	606.9	689.3	677.1	704.8	731.8	739.9	-2.3%	3.0%
Total Revenues growth	-1.7%	-29.1%	0.5%	12.6%	-6.8%	-2.3%	-2.8%	2.8%	-2.8%	13.6%	-1.8%	4.1%	3.8%	1.1%		
EBITDA	42.1	(13.7)	10.9	26.9	21.1	28.9	14.4	32.5	58.4	48.5	67.9	51.7	63.4	67.1	4.9%	-0.4%
EBITDA growth	51.2%	-132.5%	179.3%	148.0%	-21.5%	36.8%	-50.1%	125.5%	79.6%	-16.9%	40.0%	-23.9%	22.6%	5.8%		
EBITDA/Sales	4.9%	n.a.	1.8%	3.9%	3.3%	4.6%	2.4%	5.2%	9.6%	7.0%	10.0%	7.3%	8.7%	9.1%		
Net Profit	(203.3)	(51.0)	(14.0)	(0.9)	(11.7)	(0.3)	(6.3)	7.2	45.2	44.5	44.9	21.1	29.8	33.1	n.a.	-9.7%
Net Profit growth	-506.7%	74.9%	72.6%	93.6%	n.a.	97.3%	n.a.	215.1%	523.8%	-1.5%	0.9%	-53.0%	41.2%	11.2%		
Adjusted number shares (Mn)	100.6	100.6	100.6	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	104.9	104.9	104.9		
EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.40	0.41	0.20	0.28	0.32		
EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.1%	3.7%	-51.1%	41.2%	11.2%		
Ord. EPS (EUR)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.06	0.40	0.45	0.32	0.20	0.28	0.32		
Ord. EPS growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	13.4%	-28.6%	-37.3%	41.2%	11.2%		
CAPEX	(38.7)	(36.6)	(8.1)	(8.1)	(15.8)	(4.2)	(6.2)	(9.2)	(18.7)	(42.8)	(42.1)	(40.2)	(24.9)	(20.0)		
CAPEX/Sales %	4.5%	6.0%	1.3%	1.2%	2.5%	0.7%	1.0%	1.5%	3.1%	6.2%	6.2%	5.7%	3.4%	2.7%		
Free Cash Flow	(39.5)	2.6	(18.7)	3.6	3.1	19.5	27.1	11.9	47.3	1.9	5.6	(14.1)	21.3	31.0	n.a.	76.8%
ND/EBITDA (x) ⁽²⁾	3.7x	n.a.	8.7x	3.0x	6.9x	5.3x	8.9x	3.7x	1.3x	1.8x	1.9x	2.9x	2.1x	1.7x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.7x	4.6x	7.2x	7.6x	12.0x	8.5x	7.7x		
EV/Sales (x)	0.4x	0.4x	0.3x	0.2x	0.3x	0.3x	0.3x	0.3x	0.5x	0.6x	0.7x	0.5x	0.5x	0.5x		
EV/EBITDA (x) ⁽²⁾	7.5x	n.a.	15.4x	5.6x	8.8x	7.1x	12.0x	5.8x	5.3x	8.7x	6.9x	7.5x	6.1x	5.8x		
Absolute performance	-44.8%	-13.1%	-48.6%	-4.8%	-41.2%	18.8%	-17.3%	56.7%	198.7%	55.4%	8.9%	-22.4%				
Relative performance vs Ibx 35	-8.9%	-33.1%	-37.8%	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	44.7%	28.1%	-29.5%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Thomson Reuters.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main Competitors 2019e

		Europe				USA				
EUR Mn		BASF SE	Solvay	Covestro AG	Akzo Nobel AS	Average	DowDuPont	Olin Corp	Westlake	ECR
Market data	Ticker (Reuters)	BASFn.DE	SOLB.BR	1COV.DE	AKZO.AS		DWDP.K	OLN	WLK	ECR.MC
	Country	Germany	Belgium	Germany	Netherlands		USA	USA	USA	Spain
	Market cap	65,545.9	11,036.3	8,467.4	19,346.7		48,419.6	2,779.9	8,650.1	253.7
	Enterprise value (EV)	83,930.5	15,283.7	9,917.4	20,021.3		62,904.0	5,635.9	11,178.6	387.2
Basic financial information	Total Revenues	62,218.6	10,654.1	12,708.1	9,339.7		19,534.1	5,655.8	7,520.7	704.8
	Total Revenues growth	-0.7%	-5.7%	-13.1%	0.9%	-4.6%	-73.9%	-6.6%	-0.1%	4.1%
	2y CAGR (2019e - 2021e)	2.9%	2.9%	2.3%	2.5%	2.7%	3.2%	4.3%	3.9%	2.5%
	EBITDA	8,548.8	2,288.9	1,616.4	1,330.4		5,116.6	897.2	1,326.5	51.7
	EBITDA growth	-14.8%	7.6%	-48.8%	28.4%	-6.9%	-61.2%	-13.9%	-26.9%	-23.9%
	2y CAGR (2019e - 2021e)	8.7%	4.2%	6.7%	9.7%	7.3%	5.2%	8.6%	7.9%	13.9%
	EBITDA/Revenues	13.7%	21.5%	12.7%	14.2%	15.5%	26.2%	15.9%	17.6%	7.3%
	Net Profit	4,354.9	919.4	561.8	673.1		2,539.1	107.5	421.2	21.1
	Net Profit growth	16.9%	32.1%	-69.3%	47.9%	6.9%	-26.2%	-62.4%	-53.3%	-53.0%
	2y CAGR (2019e - 2021e)	2.6%	2.9%	12.8%	13.8%	8.0%	9.2%	51.9%	16.1%	25.3%
	Capex	(3,663)	(815)	(912)	(246)		(1,173)	(343)	(630)	-40.2
	CAPEX/Sales %	-5.9%	-7.6%	-7.2%	-2.6%	-5.8%	-6.0%	-6.1%	-8.4%	-5.7%
	Free Cash Flow	3,524.5	627.3	427.3	376.8		1,296.7	260.4	402.2	(14.1)
Multiples and Ratios	Net financial debt	18,388.8	3,032.6	1,166.8	596.0		13,243.7	2,747.6	1,658.0	151.7
	ND/EBITDA (x)	2.2	1.3	0.7	0.4	1.2	2.6	3.1	1.2	2.9
	Outstanding Shares	918.5	103.7	192.8	227.5		771.8	168.4	130.0	104.9
	Pay-out	68.7%	41.6%	81.5%	66.8%	64.6%	29.8%	113.3%	28.1%	0.0%
	P/E (x)	18.3	12.2	14.9	27.1	18.1	19.0	24.3	20.6	12.0
	P/BV (x)	1.7	1.1	1.6	2.7	1.8	1.3	1.1	1.3	0.9
	EV/Revenues (x)	1.3	1.4	0.8	2.1	1.4	3.2	1.0	1.5	0.5
EV/EBITDA (x)	9.8	6.7	6.1	15.0	9.4	12.3	6.3	8.4	7.5	
ROE	12.4	8.7	10.2	7.2	9.6	5.3	3.9	8.0	7.6	
FCF Yield (%)	5.4	5.7	5.0	1.9	4.5	2.7	9.4	4.6	2.3	
DPS	3.3	3.7	2.4	2.0	2.8	1.0	0.7	0.9	-	
Price Close	71.0	103.8	46.3	84.6		65.4	17.4	67.4	2.4	
Dvd Yield	4.6%	3.6%	5.1%	2.3%	3.9%	1.5%	4.2%	1.3%	0.0%	

Note 1: Financial data, multiples and ratios based on market consensus (Thomson Reuters). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
06-Nov-2019	n.a.	2.42	n.a.	n.a.	9m Results 2019	David López Sánchez
29-Jul-2019	n.a.	1.92	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.22	n.a.	n.a.	Initial Coverage	David López Sánchez